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# 1. Purpose, Scope and Status of this Guidance

## PURPOSE

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- 1.1 A great deal of work has been done in recent years to address the provision of training to those who are involved in the administration of public service pension schemes. However in the absence of any detailed definition of what knowledge and skills are actually required to carry out a particular role, it is difficult to ascertain whether training is truly effective.
- 1.2 In an attempt to ensure that training can be delivered efficiently and effectively by identifying and focusing on the key knowledge areas, in recent years CIPFA has developed, with the assistance of expert practitioners, frameworks covering the knowledge and skills requirements for officers and elected members/non-executives involved in the administration of public service pension schemes.
- 1.3 The proposals in this publication are intended to further promote good governance in public service pension schemes' pension boards by extending these frameworks to cover the training and development of their board members. The objective is to improve knowledge and skills in all the relevant areas of activity of a pension board and assist board members in achieving the degree of knowledge appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board as required under Section 248a of the *Pensions Act 2004*<sup>1</sup>, as amended by the *Public Service Pensions Act 2013*.

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1. Section 248a of the *Pensions Act 2004* sets out the following:

***Requirement for knowledge and understanding: pension boards of public service pension schemes***

- (1) *This section applies to every individual who is a member of the pension board of a public service pension scheme.*
- (2) *An individual to whom this section applies must be conversant with—*
  - (a) *the rules of the scheme, and*
  - (b) *any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.*
- (3) *An individual to whom this section applies must have knowledge and understanding of—*
  - (a) *the law relating to pensions, and*
  - (b) *such other matters as may be prescribed.*
- (4) *The degree of knowledge and understanding required by subsection (3) is that appropriate for the purposes of enabling the individual properly to exercise the functions of a member of the pension board.*

- 1.4 This guidance is intended to complement the Pensions Regulator's *Code of Practice No 14: Governance and Administration of Public Service Pension Schemes* (2015)<sup>2</sup>. The *Code of Practice No 14* sets out the fact that the law requires, amongst other things, that local pension board members be conversant with the rules of the scheme and documents relating to its administration. Additionally, in the context of the Local Government Pension Scheme (LGPS) in particular, this will bring board members into contact with matters relating to investments, actuarial valuations, third party provision, scheme assurance, accounting and auditing<sup>3</sup>. This guidance therefore focusses on those areas by expanding on the specifics of the knowledge and skills requirements associated with public service pension schemes in general and the LGPS in particular, and assisting both scheme managers and pension board members in discharging their responsibilities as set out in the Pensions Regulator's *Code of Practice No 14* insofar as they apply to knowledge and skills (a summary of the respective responsibilities of board members and the scheme manager can be found at Annex A).

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## SCOPE

- 1.5 The guidance is set in the context of LGPS pension boards in England and Wales but pension boards in other sectors and jurisdictions may find the frameworks of use in determining their own training programmes for pension board members.

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2. [www.thepensionsregulator.gov.uk/docs/code-14-public-service.pdf](http://www.thepensionsregulator.gov.uk/docs/code-14-public-service.pdf)

3. The Pensions Regulator's *Code of Practice 14: Governance and Administration of Public Service Pension Schemes* states in paragraphs 42 to 44:

*'For pension board members of funded pension schemes, documents which record policy about the administration of the scheme will include those relating to funding and investment matters. For example, where relevant they must be conversant with the statement of investment principles and the funding strategy statement.*

*Pension board members must also be conversant with any other documented policies relating to the administration of the scheme. For example, where applicable, they must be conversant with policies relating to:*

- *the contribution rate or amount (or the range/variability where there is no one single rate or amount) payable by employers participating in the scheme*
- *statements of assurance (for example, assurance reports from administrators)*
- *third party contracts and service level agreements*
- *stewardship reports from outsourced service providers (for example, those performing outsourced activities such as scheme administration), including about compliance issues*
- *scheme annual reports and accounts*
- *accounting requirements relevant to the scheme*
- *audit reports, including from outsourced service providers, and*
- *other scheme-specific governance documents.'*

- 1.6 The framework is intended to have two primary uses:
- as a tool for scheme managers in meeting the Pensions Regulator’s *Code of Practice No 14* which states that scheme managers should ‘*establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members*’
  - as an assessment tool for individuals to measure their progress and plan their development in order to ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of a pension board.
- 1.7 The framework is intended to apply to all pension board members. However, it has been designed so that organisations and individuals can tailor it to their own particular circumstances.
- 1.8 In addition, in recognition of the more onerous roles of chairs, the framework also includes a specimen role specification for the chair of a pension board (see the example at Annex B).

## STATUS

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- 1.9 In 2013, CIPFA issued a *Code of Practice on Public Sector Pensions Finance Knowledge and Skills*.
- 1.10 The *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* is underpinned by five key principles:
1. Organisations responsible for the financial administration of public sector pension schemes recognise that effective financial management, decision-making, governance and other aspects of the financial administration of public sector pension schemes can only be achieved where those involved have the requisite knowledge and skills.
  2. Organisations have the necessary resources in place to acquire and retain the necessary public sector pension scheme finance knowledge and skills.
  3. Organisations have in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration, scheme governance and decision-making.
  4. The associated policies and practices are guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the *CIPFA Pensions Finance Knowledge and Skills Frameworks*.
  5. The organisation has designated a named individual<sup>4</sup> to be responsible for ensuring that policies are implemented.
- 1.11 In setting out the *Code of Practice on Public Sector Pensions Finance Knowledge and Skills*, the Institute stated that ‘*this Code of Practice applies to all individuals that take on a*

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4. The officer in question should be the senior officer responsible for the financial administration of the pension scheme. In the case of the LGPS, this would usually be the chief financial officer; in the NHS, for example, it would be the accounting officer.

*decision-making, scrutiny or oversight role. This includes (where relevant to the governance structures employed in the management of the LGPS):*

- *officers of the administering authority*
- *elected members of the administering authority*
- *employer representatives*
- *member-nominated representatives*
- *pensioner representatives*
- *co-opted members*
- *independent advisors*
- *internal auditors and audit committee members*
- *any other individuals involved in a decision-making, scrutiny or oversight role.*

*The requirements will also apply to the members of local pension boards as set out in section 5 of the Public Service Pensions Bill, as and when such boards are established.'*

- 1.12** It is therefore the professional responsibility of the named individual referred to under principle 5 above to establish and maintain policies and arrangements for acquiring and retaining knowledge and skills to support their pension board members. This professional requirement is in line with the Pensions Regulator's *Code of Practice No 14* as set out in paragraph 38 of that Code<sup>5</sup>.
- 1.13** This guidance is offered as good practice in line with the previous *CIPFA Pensions Finance Knowledge and Skills Frameworks*, and is intended to assist practitioners in meeting their responsibilities under CIPFA's *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* (2013), particularly principle 4.

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5. Paragraph 38 of the Pensions Regulator's *Code of Practice No 14* states:  
*'Schemes should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members. Schemes should designate a person to take responsibility for ensuring that a framework is developed and implemented.'*